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Japan - Commerce Treaty
VI
TAD - Copy to Mr. Setser
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Office Memorandum • UNITED STATES GOVERNMENT

TO : E - Mr. Kalijarvi
FROM : TAD - Herman H. Barger
SUBJECT: Memorandum for Senator Sparkman Regarding Alabama Textiles Bill.

DATE: April 4, 1956

Attached is a suggested memorandum for Senator Sparkman pointing out the complications which enactment of the Alabama bill aimed at Japanese textiles would provide in terms of our treaty situation, political relations with Japan, and cotton export problem.

ITR:TAD:JJBlake:chf
4/4/56

DEPARTMENT OF STATE A/CDC/MR	
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MEMORANDUM on Proposed Alabama Cotton Textile Legislation

Press reports indicate that the Alabama Senate has passed a bill which would require wholesalers and retailers of Japanese textiles to post signs indicating that the textiles they are offering for sale are of Japanese origin when such is the case. The bill was scheduled to be considered by the Alabama House of Representatives on April 3. Legislation having the same purpose was enacted in South Carolina on March 8, 1956, and reportedly has been proposed in Mississippi.

The purpose of the pending Alabama legislation is clearly to deter wholesalers and retailers within the state from handling Japanese textiles. Therefore, it would frustrate one of the principal Far Eastern foreign policy objectives of the United States, namely, the healthy development of an economically sound and politically stable Japan. Enactment of the bill would, in addition, have the following adverse effects:

1. It would in all likelihood constitute a violation of the United States-Japan Treaty of Friendship, Commerce and Navigation. This treaty, ratification of which was advised by the Senate on July 21, 1953, requires each party to grant to goods imported from the other most-favored-nation and national treatment in respect to internal taxation and all measures affecting internal sale and distribution. The purpose of the Alabama bill and its effect will be to provide less favorable treatment to Japanese textiles as a result of government action than to those of other foreign countries and of domestic producers.

(For text of relevant Articles, see attachments.)

There may well also be involved a constitutional problem -- whether the South Carolina law involves a regulation of interstate and foreign commerce inconsistent with the power granted to the Congress by the Constitution to regulate such commerce.

2. In weakening our treaty arrangements with Japan, the proposed Alabama legislation would also place in jeopardy the protection which that treaty now affords United States interests in Japan, and could raise serious doubt in the minds of other governments of the extent to which they should be bound by their treaty commitments to this country.

3. It would encourage anti-American elements in Japan which have already been stimulated by reports in the Japanese press of the intention of various states to discriminate against Japanese textiles.

4. It could adversely affect Japan's willingness to buy American cotton and thereby seriously affect the problems faced by United States cotton growers. Japan is by far the principal market for United States cotton and imported 447,000 bales from the United States in calendar year 1955 which was 26 percent of the total United States raw cotton exports.

It should also be noted that United States imports of all cotton products for 1955 including those from Japan were equivalent to about 130,000 bales of raw cotton. This was less than one percent of the 1955 United States raw cotton crop and less

than one and one-half percent of the consumption of raw cotton by our domestic mills. The United States is a net exporter of cotton goods by 400,000 bales annually, in terms of raw cotton equivalent.

Attachments: Extracts from Arts. XVI
and XXII, US-Japan FCN Treaty

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EXTRACT from United States-Japan Treaty
of Friendship, Commerce and Navigation

ARTICLE XVI

1. Products of either Party shall be accorded, within the territories of the other Party, national treatment and most-favored-nation treatment in all matters affecting internal taxation, sale, distribution, storage and use.

2. Articles produced by nationals and companies of either Party within the territories of the other Party, or by companies of the latter Party controlled by such nationals and companies, shall be accorded therein treatment no less favorable than that accorded to like articles of national origin by whatever person or company produced, in all matters affecting exportation, taxation, sale, distribution, storage and use.

EXTRACT from United States-Japan Treaty
of Friendship, Commerce and Navigation

ARTICLE XXII

1. The term "national treatment" means treatment accorded within the territories of a Party upon terms no less favorable than the treatment accorded therein, in like situations, to nationals, companies, products, vessels or other objects, as the case may be, of such Party.

2. The term "most-favored-nation treatment" means treatment accorded within the territories of a Party upon terms no less favorable than the treatment accorded therein, in like situations, to nationals, companies, products, vessels or other objects, as the case may be, of any third country.